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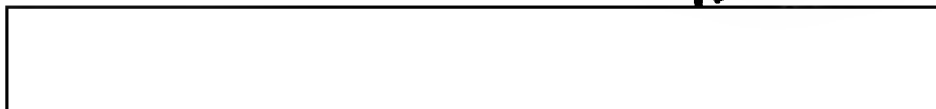
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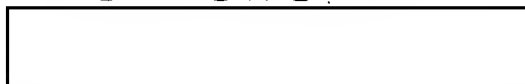
CENTRAL INTELLIGENCE AGENCY

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GENERAL

1. Secretary General Lie suggests only UN could solve Iranian and Egyptian problems:

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Secretary General Lie believes that the Iranian and Egyptian problems can only be solved through the United Nations. The Secretary General, expressing himself strongly on the matter to

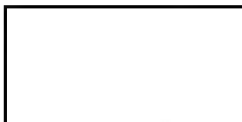
General Eisenhower, stated that the Egyptian Foreign Minister and the Secretary General of the Arab League had told him privately that they would be willing to develop adequate Middle East defense arrangements under UN aegis.

Lie favored working toward such a solution but said that Britain and America were opposed. He was vague as to what sort of an arrangement could be worked out but insisted that "the USSR would of course not be permitted to participate in such UN defense arrangements."

Comment: Referring the Iranian and Egyptian disputes to the UN would permit Iran and Egypt to use this agency as a sounding board for publicizing their grievances. The USSR would also be given increased opportunity for meddling in matters of vital importance to the West.

2. Britain and United States protest Italian munitions shipments to non-NATO countries:

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The British Embassy in Rome has informed American officials of its protests to the Italian Government concerning negotiations for small arms and ammunition between Italian munitions makers and Egyptian representatives.

The Italian Government has been informed by the American Ambassador of the adverse effect which the export of arms and munitions to non-NATO countries would have on the US Congressional attitude toward future defense aid, and of the importance of conserving Italy's munition production potential for other NATO countries.

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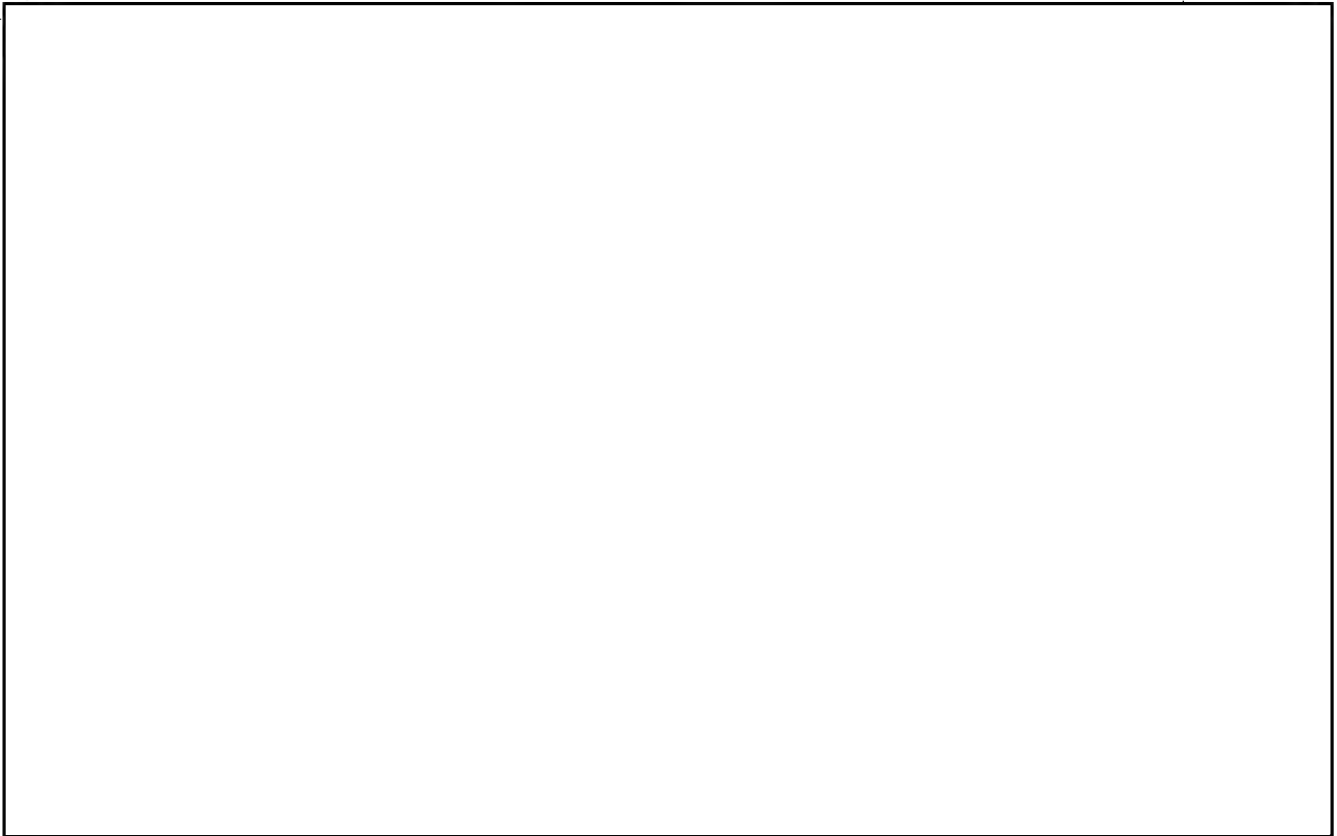


Comment: Italy has hitherto complied with American requests to stop shipments of armaments considered contrary to US interests. The Italians now point out, however, that until their army or NATO countries can absorb such production, some arms must be shipped to non-NATO countries in order to keep Italian factories in operation, to avoid unemployment, and to prevent the deterioration of equipment.

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4. Threatening Chinese moves on Indochina border reported:

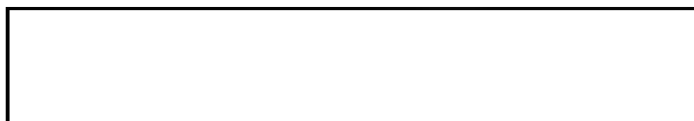
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 who recently arrived from the Indochinese port of Moncay, the only border post still in French possession, told the American

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Vice Consul in Hanoi that mass meetings denouncing French imperialism and urging the liberation of Vietnam have been held recently by the Chinese Communists in the Chinese border town of Tunghsing, directly opposite Moncay. (SEE MAP PAGE 6).

Later, the French Army's China specialist added that he had just learned of the presence of 1,500 Chinese Communist regulars in and around Tunghsing, while other regulars have been arriving in unknown numbers at a point 30 miles north of the principal pass into Indochina.

25X1 [redacted] while there were no Chinese troops in Tunghsing ten days ago, "now the town streets are full of mandarin-speaking, North Chinese regulars" who have concealed their military subordination. These troops allegedly include Korean veterans.

5. Soviet engineers assist in military construction near Indochina border:

25X1A [redacted] [redacted] which toured South China [redacted] reports that Soviet engineers acted as supervisors in the construction of a small-arms factory at Kunming in southwest China. [redacted] the delegates visited the factory and observed an unusually large labor force there.

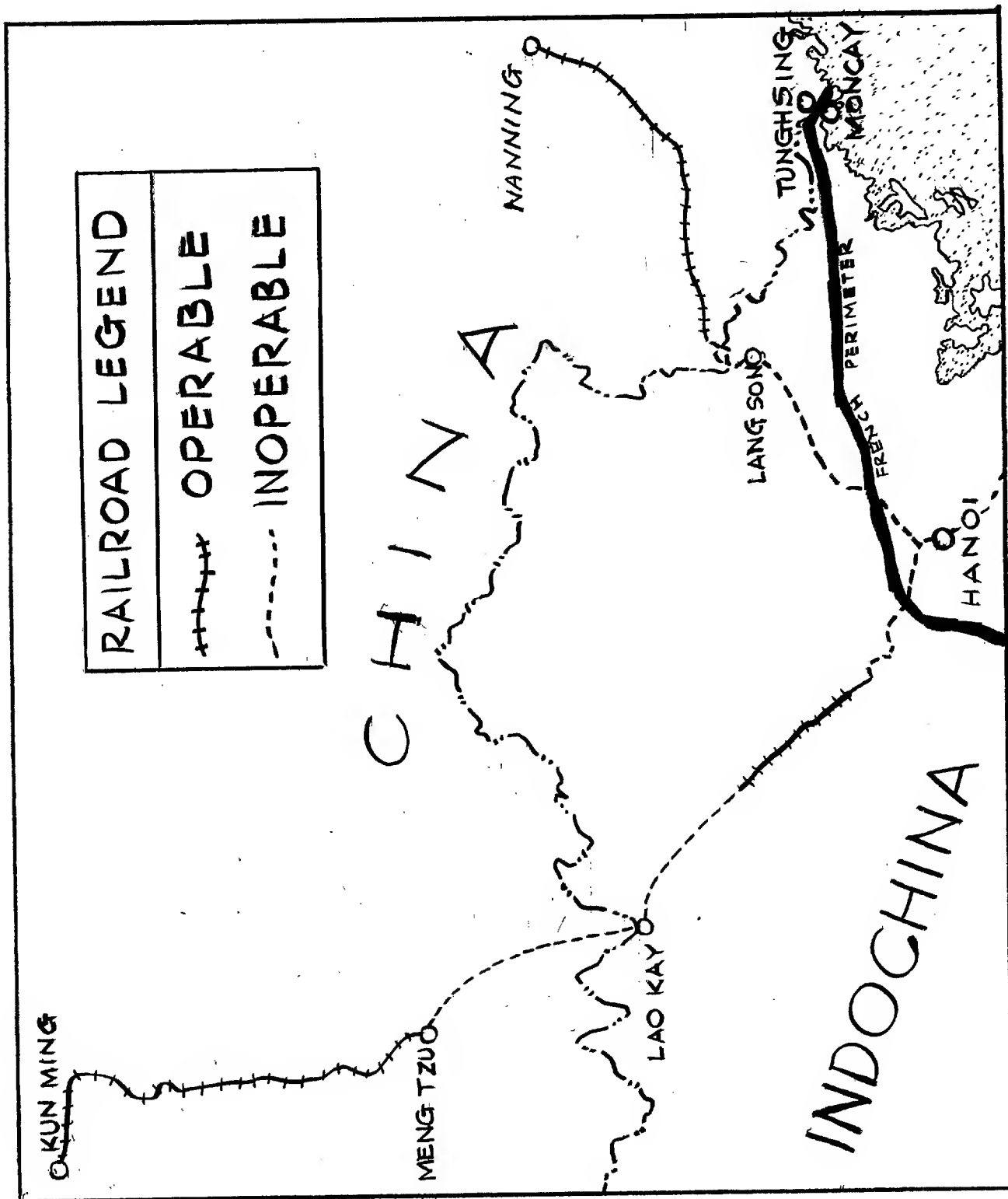
The delegation also reported that the Kunming airfield has been enlarged and that the Russians have assisted in a general overhaul of the Yunnan railroad system, which now has improved facilities for the dispatch of men and goods to the Indochina border (SEE MAP PAGE 6).

Comment: The presence of several hundred Russian advisers in Yunnan was reported early in 1951. One of their tasks is said to have been assisting in the expansion of small arms production at the Kunming arsenal, the largest in the Indochina border area.

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[redacted]



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25X1 [redacted] Only part of this line is at present operable but it is being used in conjunction with motor transport supply to the Viet Minh forces. Soviet assistance will hasten reestablishment of this rail link to Indochina and provide the Chinese with two rail arteries for such shipments to the Viet Minh armies. The other line, from Nanning to the Indochina border, was completed only three months ago. 25X1

6. Chinese Nationalist force in Burma reported preparing for new operations in Yunnan:

25X1A [redacted] The US Army Attache in Rangoon has been informed that Chinese Nationalist General Li Mi is preparing a new attack upon Yunnan from Burma with a force of 12,000. The attack is to take place some time after 27 January, the Chinese New Year. Li Mi's force is said to include several hundred Chinese Nationalist troops recently arrived from Thailand.

The Attache reports that the Burmese authorities are apprehensive over this development and believe the Chinese Communist Government is ready to serve an "ultimatum." Meanwhile, the Burmese Foreign Minister told the US Charge that he intended to take up the question of an appeal to the UN with the Prime Minister upon the latter's return from a northern trip.

Comment: Chinese Nationalists under Li Mi's command in Burma have been inactive since last summer, although their continued presence in Burma has remained a source of concern to the Burmese Government.

This report coincides with Li Mi's visit to Taipei and growing Soviet and Chinese Communist propaganda accusing the US of assisting the Nationalists in attacks on China from Southeast Asian bases.

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NEAR EAST - AFRICA

7. Mossadeq unyielding on US military aid:

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Minister of Court Ala has informed the American Ambassador to Iran that Mossadeq refuses to discuss the question of US military aid with anyone. Although Mossadeq is willing to accept military aid, he wants general discussion of the subject to subside.

The Ambassador states that Mossadeq is at present prevented by the political situation from giving the assurances required under the Mutual Security Act in order to make Iran eligible for continued American military aid. He believes, however, that there is a possibility that at a later time Mossadeq may be prevailed upon to make the necessary statement.

Comment: Mossadeq's long-standing aversion to strengthening the army at the expense of Iranian economic development, his desire not to provoke his Soviet neighbor, and his reluctance to risk alienating his nationalist supporters make it doubtful that he can be persuaded to make the necessary statement.

8. Britain requesting assistance to keep Suez Canal operating:

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The British Foreign Office has requested the United States, France, and probably the Netherlands to furnish specialized personnel to aid in the operation of the Suez Canal. Britain is also considering the desirability of having American and French warships stationed in the area as an indication of support for the British position and for assistance if the evacuation of Europeans becomes necessary. These questions would be discussed at a secret meeting on Malta of French, British and American military representatives.

France considers that technical assistance should be offered only at the request of the Suez Canal Company and only after the Egyptian Government has failed to cooperate. They are not enthusiastic about stationing their ships in the area.

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Comment: The desertion of large numbers of Egyptian laborers has made it necessary for Britain to use military personnel to keep the Canal open. Recruitment programs for unskilled labor are under way in East Africa, Malta, and Cyprus; but Britain considers that the maritime powers using the Canal should help supply the skilled labor which is more difficult to obtain.

The present hour-a-day strike against the Suez Canal Company is adding to the British difficulties. As yet the Company has not asked the Egyptian Government to implement its secret agreement under which the Egyptian Navy would supply 180 key specialists in case of a general strike.

WESTERN EUROPE

9. Communists urge formation of all-German election committee:

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The East German People's Chamber has asked the West German Lower House to collaborate in naming a ten-man joint commission to discuss the various proposals for all-German elections. American representatives in Berlin suggest that the East Germans, in the event of a Bonn rebuff, might then encourage leading West German neutralists such as Pastor Niemoeller, to participate in an "all-German" commission.

The East Germans have also renewed their attack against the recent naming of a UN Commission to investigate electoral conditions in all of Germany.

Comment: Suggestion of the mixed German commission fits in with the consistent Communist opposition to a UN Commission as outside interference. Although such a commission would probably be refused entrance into East Germany, the Communists might at the last minute allow it to enter. The only hint of such a move is unconfirmed reports that Communist security police have shipped all records pertaining to East German elections since 1948 to an unknown destination, possibly in order to impede efforts of any UN investigating unit.

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10. French President attempts to limit government crisis:

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[REDACTED] President Auriol is seeking to persuade party leaders that the current cabinet crisis must be resolved by 21 January and has indicated confidentially that he will do his utmost "to cut short the ritual" of the search for a new French Government. The US Embassy in Paris warns, however, that an early outcome is not in sight.

The Gaullists, who have given no indication of a tendency to compromise, cannot be included in a coalition government, in the opinion of the embassy. Furthermore, a Gaullist-led government could only come about in an emergency atmosphere and if the crisis were extraordinarily long.

The embassy concludes that ex-premiers Bidault, Queuille, or Plevén now appear the most likely candidates to reform the middle-of-the-road coalition.

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[REDACTED]